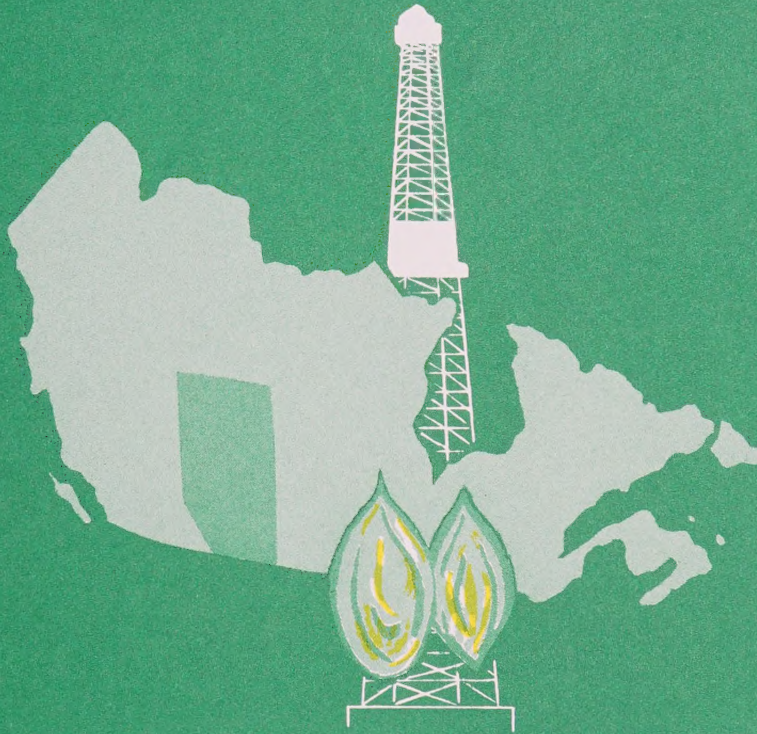


AR12


annual report  
march 31, 1970



MIDCON  
OIL & GAS  
LIMITED

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# OIL & GAS LIMITED

## OFFICERS AND DIRECTORS

J. DOUGLAS STREIT	-	-	-	-	-	-	-	-	<i>President</i>
J. F. PAXTON	-	-	-	-	-	-	-	-	<i>Vice-President</i>
W. E. REARDEN	-	-	-	-	-	-	-	-	<i>Secretary-Treasurer</i>
GEORGE BROWN	-	-	-	-	-	-	-	-	<i>Assistant Secretary-Treasurer</i>

J. DOUGLAS STREIT	-	-	-	-	-	-	-	-	<i>Toronto</i>
J. F. PAXTON	-	-	-	-	-	-	-	-	<i>Toronto</i>
W. E. REARDEN	-	-	-	-	-	-	-	-	<i>Toronto</i>
R. G. PRICE	-	-	-	-	-	-	-	-	<i>Calgary</i>

MCCORMACK, PARKER & HESTER - - - - Toronto, Ontario

CANADIAN IMPERIAL BANK OF COMMERCE - - Toronto, Ontario  
ROYAL BANK OF CANADA - - - - Toronto, Ontario

GUARANTY TRUST COMPANY OF CANADA - Toronto and Calgary

727 - 7TH AVENUE SOUTH WEST - - - - Calgary, Alberta

ROOM 1000, 360 BAY STREET - - - - Toronto, Ontario

MIDCON  
OIL & GAS  
LIMITED

annual report  
march 31, 1970



# MIDCON OIL & GAS LIMITED

## OFFICERS AND DIRECTORS

OFFICERS	J. DOUGLAS STREIT - - - - -	President
	J. F. PAXTON - - - - -	Vice-President
	W. E. REARDEN - - - - -	Secretary-Treasurer
	GEORGE BROWN - - - - -	Assistant Secretary-Treasurer
DIRECTORS	J. DOUGLAS STREIT - - - - -	Toronto
	J. F. PAXTON - - - - -	Toronto
	W. E. REARDEN - - - - -	Toronto
	R. G. PRICE - - - - -	Calgary
AUDITORS	McCORMACK, PARKER & HESTER - - -	- Toronto, Ontario
BANKERS	CANADIAN IMPERIAL BANK OF COMMERCE - -	- Toronto, Ontario
	ROYAL BANK OF CANADA - - - -	- Toronto, Ontario
TRANSFER AGENTS	GUARANTY TRUST COMPANY OF CANADA -	- Toronto and Calgary
HEAD OFFICE	727 - 7TH AVENUE SOUTH WEST - - -	- Calgary, Alberta
EXECUTIVE OFFICE	ROOM 1000, 360 BAY STREET - - -	- Toronto, Ontario





## Report of the Directors

To the Shareholders,

MIDCON OIL & GAS LIMITED.

Your Directors present herewith the Annual Report of your Company with detailed Financial Statements, Balance Sheet and Auditors Report for the fiscal year ended March 31, 1970. These consolidated financial statements include Inter-Rock Oil Co. of Canada Ltd., a Midcon subsidiary in which Midcon owns over 50% of the common stock.

### ARCTIC OIL AND GAS AREAS

The major discovery of oil on the Alaska north slope at Prudhoe Bay in 1968 has resulted in intensified interest in the petroleum prospects of the Canadian Arctic. It has been estimated that over 50% of Canadian conventional oil and gas reserves are located north of Latitude 60°.

Following the announcement of the Prudhoe Bay discovery, Midcon and Inter-Rock moved quickly to establish a significant but carefully selected land position in the Canadian Arctic Islands in order to take part in this new oil and gas exploration play in the Canadian North. In August, 1968, Midcon acquired 155,412 acres of Canadian Federal Government Petroleum Permits in the Arctic Islands and that same month Inter-Rock obtained 105,385 acres of Arctic permits. Some of these permits have already been exposed to nearby exploration activity at no cost to Midcon. In late 1968 Panarctic drilled a test well at Sandy Point on N. W. Melville Island only 11 miles from an Inter-Rock permit. Although this well was unsuccessful, a Panarctic farmout will result in continued work on N. W. Melville Island and perhaps additional drilling.

Panarctic are now drilling at Hoodoo Dome on Ellef Ringnes Island at a location about 7½ miles from an Inter-Rock permit and 20 miles from two Midcon permits. Panarctic will also drill a well on Amund Ringnes Island later this year which will give additional exposure to the Midcon permits just west of that Island. All these Arctic Island permits have been renewed until August, 1972, and are being carried at no cost to Midcon and Inter-Rock under a farmout arrangement, whereby the farmee can earn from 25% to 50% interest in the permits by conducting a stipulated minimum exploratory program over a six-year period.

In addition to the aforementioned permits, Midcon and Inter-Rock also hold a 100% interest in 162,118 acres of permit in the Beaufort Sea close to the Alaska boundary, 96,146 acres off the East Coast of Baffin Island and Inter-Rock has 163,378 acres of permit off the Coast of Newfoundland.

In July, 1969, Midcon and Inter-Rock obtained 319,411 acres of Petroleum Permit in Smith Arm of Great Bear Lake. We have just concluded arrangements to conduct a marine seismic survey on this block this summer, jointly with Alminex, Canadian Export Gas, Yellowknife Bear Mines Limited, and Ram Petroleums, who hold over a million acres of contiguous permits in the area. Mobil Oil and Atlantic Richfield who hold permit blocks to the north of us will also conduct marine seismic operations this summer on Great Bear Lake and we hope to trade information with them in this area. Your Directors believe that pipelines to tie the vast oil and natural gas reserves already discovered on the Alaska North Slope by an overland route to the markets of the south 48 states will be built along the MacKenzie Valley route during this decade, and if so, would give this Great Bear Lake area ready access to both oil and gas pipeline outlets. For this reason we feel this is a very attractive exploration area.

Midcon and Inter-Rock have interests in a total of 838,472 acres of carefully selected federal permits north of the 60th parallel in the Canadian Arctic. We are exploring these permits through farmouts and through joint participation with adjacent permit holders at a minimum cost to Midcon but in a manner that gives your Company a maximum of exploration exposure.

#### **SOUTH EASTERN ALBERTA**

Midcon and our partner Pembina Pipe Lines Ltd. each owns a 50% interest in South Alberta Pipe Lines Ltd. which supplies gas under a long term escalating price contract to the 25 million dollar Northwest Nitro-Chemicals Ltd. fertilizer manufacturing plant at Medicine Hat and under separate contract directly to the City of Medicine Hat. South Alberta operates a 10½-inch diameter pipeline which takes gas 45 miles from the Etzikom field to the City of Medicine Hat and also operates a 14-mile, 8-inch trunk gas gathering line in the Medicine Hat gas field. This pipeline system represents a total investment of over 2.2 million dollars.

For the fiscal year ended March 31, 1970, South Alberta gas sales were 4.47 billion, a 2% increase over the previous year. The price of the gas to Northwest Nitro-Chemicals Ltd. is now 15.5¢ per M.C.F. but it increases 1.5¢ per M.C.F. every five years and the next price increase will be to 17.0¢ per M.C.F. in 1971. We are protected on the downside on gas sales by a minimum take or pay contract with Northwest Nitro-Chemicals, but sales in excess of this figure are dependent on fertilizer sales and the short term market for fertilizer sales is not very good, so sales for next year will probably return to the minimum 1969 level.

Midcon and Pembina own about 60,000 acres of natural gas lease in the Medicine Hat gas field and have formed the Seven Persons Creek unit in the S. W. section of the field from which we produce Medicine Hat zone gas. We also own about 30,000 acres of shallower Milk River zone gas rights in this



area. During the past year a significant Milk River gas play has developed in this area and at Crown lease sales earlier this year adjacent Milk River gas rights sold for about \$10.00 per acre. The economics of gathering this shallower Milk River zone gas are at present somewhat doubtful, but with a gathering system already in place for gathering the deeper Medicine Hat zone gas we may well find the Milk River gas reserves economic for us. We are currently examining all data available on adjacent Milk River zone wells and will likely evaluate this zone with a test well on our leases this year.

#### **PENDANT D'OREILLE LEASE**

Midcon owns a 50% interest in 960 acres of oil and gas lease in Tp.3, Rg.9 W4th in S. E. Alberta in partnership with Canadian Montana Gas Co. Ltd. On April 1, 1970, we granted a 120-day drilling option on this lease block to Clearport Holdings Ltd., and we expect them to spud a test well on our lease block before August 1. If Clearport are successful we will receive the greater of 10% gross royalty or 2¢ per M.C.F. on 50% of the gas produced from the well.

#### **INTER-ROCK OIL CO. OF CANADA LIMITED**

Midcon owns over 50% of the common stock of Inter-Rock and the enclosed financial statements are a consolidation of both companies. The northern holdings of Inter-Rock have been detailed above under Arctic Oil and Gas Areas. The principal Inter-Rock producing interests are a 0.23607% interest in the Nevis Gas Field and a 2.08333% interest in the Buffalo Lake oilfield. Both these fields have been unitized and are operated by Chevron Standard and Hunt Oil Co. respectively and will provide Inter-Rock with many years of steady production income.

June 30th, 1970.

On Behalf of the Board of Directors,

J. DOUGLAS STREIT,  
President.

# Consolidated Balance Sheet

(With comparative figures for 1969)

## ASSETS

CURRENT ASSETS	1970	1969
Bank Balances (including interest bearing deposits 1970, \$230,913.71; 1969, \$180,045.48) .....	\$ 252,165.94	\$ 207,268.98
Accounts Receivable .....	28,093.35	26,297.92
Marketable Securities at cost (Market Value 1970, \$63,665.00; 1969, \$89,880.00) .....	18,816.25	18,816.25
Accrued Interest Receivable .....	12,506.80	31,727.34
Prepaid Expenses .....	274.69	2,264.69
	311,857.03	286,375.18
 INVESTMENTS		
South Alberta Pipe Lines Limited—Shares and Debentures at cost (Note 1) .....	545,750.00	545,750.00
Northwest Nitro-Chemicals Limited—Shares and Debentures at cost (Note 4) .....	14,469.53	14,469.53
Other Shares at cost less amount written off .....	6,001.00	6,002.00
	566,220.53	566,221.53
 PROPERTY, PLANT AND EQUIPMENT AT COST (Note 2)		
Interests in Petroleum and Natural Gas Leases and Rights .....	1,119,729.18	1,117,479.18
Producing Well Costs and Production Equipment .....	518,620.02	469,235.25
Capped Gas Well .....	5,789.82	5,789.82
Furniture, Equipment and Automobile .....	9,948.93	9,222.33
Leasehold Improvements .....	5,753.09	—
	1,659,841.04	1,601,726.58
Accumulated Depreciation, Depletion and Amortization .....	348,569.71	314,400.26
	1,311,271.33	1,287,326.32
 Lake Erie Pipe Line at nominal value .....	1.00	1.00
 OTHER		
Deposits re Performance of Work (Note 5) .....	40,557.65	21,750.45
	\$2,229,907.54	\$2,161,674.48

AUDIT

To the Shareholders,

MIDCON OIL & GAS LIMITED.

We have examined the consolidated balance sheet of Midcon Oil & Gas Limited as at March 31, 1970, and the consolidated statements of income and deficit and source and application of funds for the year then ended. Our examination included a general review of accounting procedures and such tests of accounting records and other supporting evidence as we considered necessary in the circumstances.

In our opinion, these consolidated financial statements present fairly the financial position of the Companies as at March 31, 1970, and the results of their operations and the source and



as at March 31, 1970

(at March 31, 1969)

# LIABILITIES

CURRENT LIABILITIES	1970	1969
Accounts Payable and Accrued Charges .....	\$ 38,836.62	\$ 27,703.14
MINORITY INTEREST .....	95,648.95	88,299.40

# SHAREHOLDERS' EQUITY

CAPITAL STOCK		
AUTHORIZED		
5,000,000 Common Shares No Par Value		
ISSUED FULLY PAID		
4,300,000 Shares .....	3,353,505.43	3,353,505.43
DEFICIT—Per Schedule .....	1,258,083.46	1,307,833.49
	2,095,421.97	2,045,671.94

Approved on behalf of the Board:

J. DOUGLAS STREIT, Director.

W. E. REARDEN, Director.

The attached Notes to Consolidated Financial Statements  
are an integral part of the above statement.

\$2,229,907.54      \$2,161,674.48

PORT

lication of their funds for the year then ended, in accordance with generally accepted  
ounting principles applied on a basis consistent with that of the preceding year after giving  
oactive effect to the adjustment of depletion and amortization explained in Note 3 to the  
nancial statements, with which adjustment we concur.

onto, Ontario,  
e 24, 1970.

McCORMACK, PARKER AND HESTER,  
Chartered Accountants.

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**AS AT MARCH 31, 1970**

**Note 1: Consolidation Policy**

The consolidated financial statements include the results of operations for the 1970 year and the financial position as at March 31, 1970, of Midcon Oil & Gas Limited and Inter-Rock Oil Co. of Canada Limited. As at March 31, 1970, the Company's interest in Inter-Rock was 52.09% of the voting stock of that Company.

Advances to the Company's inactive wholly-owned subsidiary, Aqua Land Exploration Limited, have been written off. The investment in this subsidiary was written off in 1966, since the Company has been inactive for a number of years and the remaining assets are considered to be of no value.

Midcon Oil & Gas Limited owns 50% of the issued and outstanding common shares of South Alberta Pipe Lines Limited which owns and operates a gas pipeline in the Medicine Hat area of Alberta. The Company also owns 50% of the issued and outstanding 5% First Mortgage Redeemable Sinking Fund Bonds of that Company. Payment of the principal of these bonds which was due on May 1, 1966, has been postponed with the consent of the bondholders, Pembina Pipe Lines Limited and Midcon Oil & Gas Limited. At March 31, 1970, the Company's share of the accumulated deficits of South Alberta Pipe Lines Limited based on the audited financial statements of the Company, amounted to \$133,080.00 and its share of the loss for the year ended March 31, 1970, amounted to \$8,430.50. It is the policy of the Company not to take this share of the deficit, which exceeds its investment in the common shares of South Alberta Pipe Lines Limited by \$53,080.00, into account in the books.

**Note 2: Accounting Policies**

The Company follows the practice of charging exploration expenses, non-productive development expenses and the carrying charges on its properties to income as such costs are incurred. Property acquisition costs are capitalized. The costs of drilling productive wells are capitalized and the costs of drilling unproductive wells are charged to income when the wells are determined to be dry. Depletion and amortization of producing oil and gas lands and wells costs and production equipment is determined on the unit of production method. Depreciation of other plant and equipment is based on the estimated service lives of the assets calculated on the diminishing balance method.

**Note 3: Depletion and Amortization**

Based on a recent engineer's report revising the estimated natural gas reserves of the Company, the depletion of interests in petroleum and natural gas leases and the amortization of producing well costs, written off in prior years, have been adjusted to reflect the revised estimates. The accumulated total of such depletion and amortization adjustments for prior years has been recorded by adjustments to "Consolidated Income and Deficit". The 1969 figures in the financial statements have been restated and are shown as though the adjustment had been made at the beginning of the 1969 year.

**Note 4:**

The Company owns \$30,000.00 par value subordinated income debentures and 21,500 common shares of Northwest Nitro-Chemicals Limited, which Company is 95% controlled by Commercial Solvents Corporation. The investment is carried at cost which is not intended to reflect present or future values. The securities are not listed on a stock exchange and the market is therefore restricted to quotations in respect to unlisted securities which are not considered to be representative of market values.



Note 5:

The Companies have made deposits of \$37,052.65 with the Government of Canada to guarantee the performance of work in connection with exploratory permits for gas and oil. The Companies also have drilling deposits of \$3,505.00 with the Province of Alberta.

Note 6:

No provision for income taxes is required for the year ended March 31, 1970, and at that date an excess of drilling and exploration expenditures was available to be applied against future profits.

Note 7:

The total direct remuneration paid to directors and senior officers of the Company and its subsidiary in the year ended March 31, 1970, and included in the Consolidated Statement of Income was \$13,300.00.

## CONSOLIDATED STATEMENT OF INCOME AND DEFICIT

FOR THE YEAR ENDED MARCH 31, 1970  
(With comparative figures for the year 1969)

	1970	1969
Gross Oil and Gas Revenue .....	\$ 206,601.77	\$ 215,248.44
Deduct Royalties .....	15,591.50	12,381.43
	<hr/>	<hr/>
	\$ 191,010.27	\$ 202,867.01
Well Supervision .....	7,800.00	7,800.00
	<hr/>	<hr/>
	198,810.27	210,667.01
<b>Deductions</b>		
Production, Processing and Transportation costs	104,571.25	109,211.02
Exploration Expenses .....	2,790.11	989.74
General and Administrative Expenses .....	43,454.03	37,928.55
	<hr/>	<hr/>
	150,815.39	148,129.31
	<hr/>	<hr/>
<b>Operating Profit</b> .....	47,994.88	62,537.70
<b>Other Income</b>		
Interest Earned .....	41,703.51	39,643.96
Dividends Received .....	857.52	857.47
Profit on Sale of Fixed Assets .....	1,318.05	—
Accounts Payable Written Off .....	—	1,063.84
Sundry Income .....	3,217.26	24.44
	<hr/>	<hr/>
	47,096.34	41,589.71
	<hr/>	<hr/>
	95,091.22	104,127.41
<b>Other Deductions</b>		
Loan Interest .....	—	1,209.77
Depreciation, Depletion and Amortization .....	37,926.85	40,171.87
Advances to Wholly Owned Subsidiary		
Written Off .....	64.79	10.00
Income Applicable to Minority Interests .....	7,349.55	8,434.57
	<hr/>	<hr/>
	45,341.19	49,826.21
	<hr/>	<hr/>
<b>Net Income</b> .....	49,750.03	54,301.20
<b>Deficit, beginning of the Year</b>		
As previously reported .....	1,449,818.15	1,421,902.94
Adjustment of Depletion and Amortization		
(Note 3) .....	141,984.66	59,768.25
	<hr/>	<hr/>
As Restated ...	1,307,833.49	1,362,134.69
	<hr/>	<hr/>
<b>Deficit, end of the Year</b> .....	\$1,258,083.46	\$1,307,833.49

The attached Notes to consolidated financial statements are an integral part of the above statement.



**CONSOLIDATED STATEMENT OF GENERAL AND ADMINISTRATIVE EXPENSES****FOR THE YEAR ENDED MARCH 31, 1970**

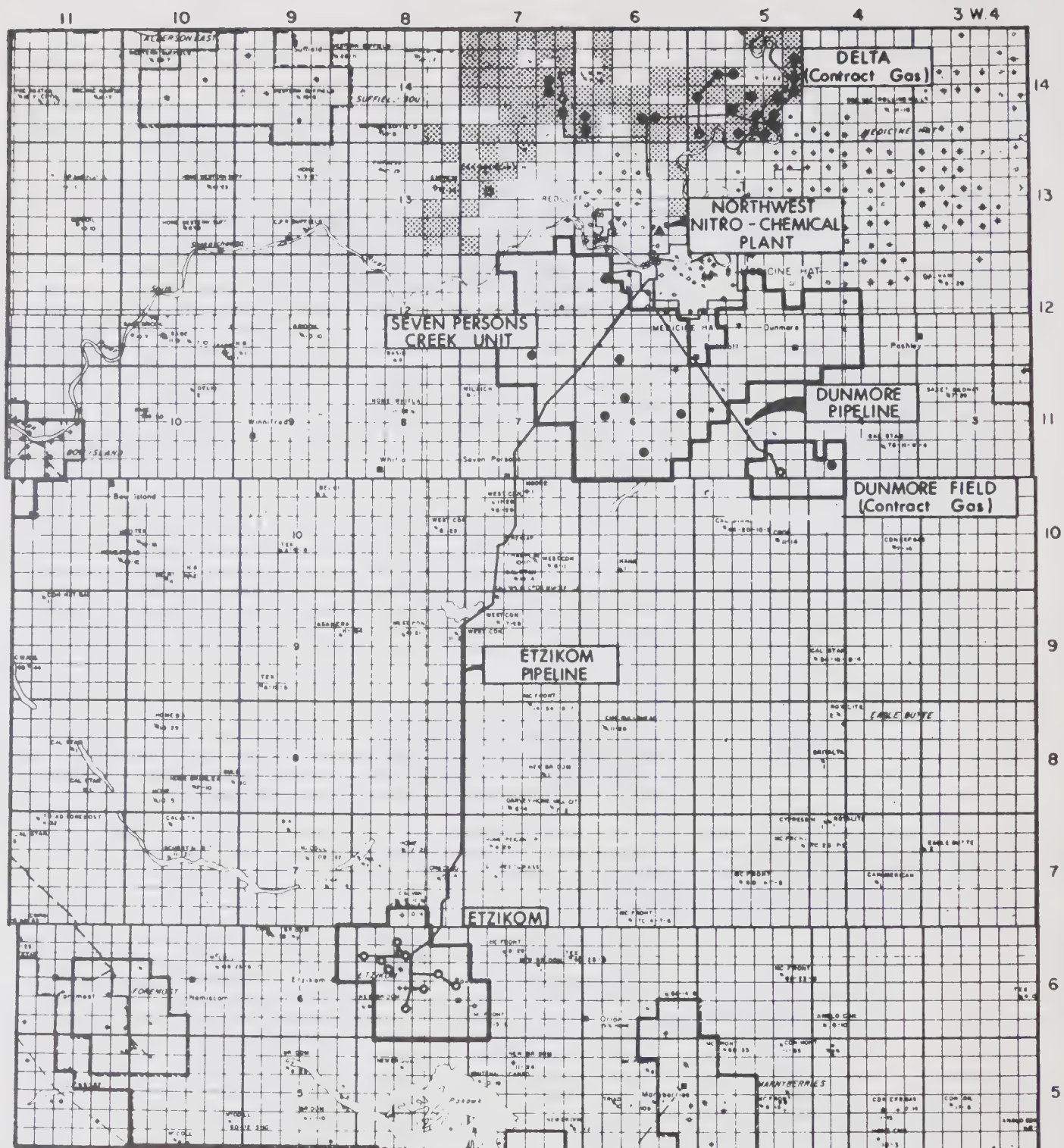
(With comparative figures for the year 1969)

	1970	1969
Head Office Services and Rent .....	\$10,620.00	\$10,760.00
Salaries and Wages .....	11,400.00	11,550.00
Canada Pension Plan .....	123.30	119.70
Directors' Fees .....	1,900.00	1,600.00
Telephone and Telegraph .....	973.61	992.24
Travelling Expense .....	1,383.25	1,351.12
Legal and Audit Fees .....	5,512.87	4,004.76
Reports to Shareholders .....	2,918.31	2,291.46
Share Certificates .....	421.01	241.08
Transfer Agents' Fees and Expenses .....	4,450.11	3,930.84
Stock Exchange Listing and Filing Fees .....	1,821.95	—
Miscellaneous .....	1,893.06	1,034.69
Bank Charges .....	36.56	52.66
	<u>\$43,454.03</u>	<u>\$37,928.55</u>

**CONSOLIDATED STATEMENT OF SOURCE AND APPLICATION OF FUNDS****FOR THE YEAR ENDED MARCH 31, 1970**

(With comparative figures for the year 1969)

	1970	1969
<b>Source of Funds</b>		
<b>Operations</b>		
Net Income for the Year .....	\$ 49,750.03	\$ 54,301.20
Items not involving a current outlay of funds—		
Depreciation, Depletion and Amortization .....	37,926.85	40,171.87
	<u>87,676.88</u>	<u>94,473.07</u>
Sale of Fixed Assets less Profit on Sale included in		
Statement of Income .....	1,229.55	—
Profit of Subsidiary applicable to Minority Interests .....	7,350.55	8,434.57
	<u>96,256.98</u>	<u>102,907.64</u>
<b>Application of Funds</b>		
Purchase of Interests in Petroleum and Natural Gas Leases and Rights .....	2,250.00	5,552.00
Well Development and Equipment Expenditures .....	39,157.77	1,179.35
Purchase of Leasehold Improvements .....	2,184.72	—
Purchase of Other Capital Assets .....	19,508.92	2,687.56
Increase in Deposits .....	18,807.20	18,245.45
	<u>81,908.61</u>	<u>27,664.36</u>
<b>Increase in Working Capital</b> .....	14,348.37	75,243.28
<b>Working Capital, beginning of the year</b> .....	258,672.04	183,428.76
<b>Working Capital, end of the year</b> .....	<u>\$273,020.41</u>	<u>\$258,672.04</u>



## MIDCON HOLDINGS

### OWNED INTERESTS

ETZIKOM PIPELINE	50 %
DUNMORE PIPELINE	50 %
ETZIKOM GAS FIELD	40 %
SEVEN PERSONS CREEK UNIT	40 %

### CONTRACT INTERESTS

DUNMORE FIELD CONTRACT	50 %
DELTA GAS CONTRACT	50 %

## MIDCON OIL & GAS LIMITED

### HOLDINGS IN

## ETZIKOM-MEDICINE HAT AREA





*See inside this fold for map  
of gas and oil locations.*









# MIDCON OIL & GAS LIMITED



## NOTICE OF ANNUAL GENERAL MEETING OF SHAREHOLDERS

NOTICE IS HEREBY GIVEN that the annual general meeting of the shareholders of Midcon Oil & Gas Limited (the "Company") will be held in the Green Room, Lord Simcoe Hotel, King Street West, at University Avenue, Toronto, Ontario, on Thursday, the 30th day of July, 1970, at the hour of 11.00 o'clock in the forenoon (Eastern Daylight Saving Time) for the following purposes:

1. To receive the consolidated balance sheet of the Company and its subsidiary as at March 31st, 1970, together with the statement of consolidated income and deficit, the consolidated statement of profit and loss and the consolidated statement of source and application of funds for the year ended March 31, 1970, together with the reports of the directors and the auditors on the said consolidated balance sheet and consolidated statements.
2. To elect directors.
3. To appoint auditors and to authorize the directors to fix their remuneration.
4. To transact such other business as may properly come before the said meeting or any adjournment thereof.

DATED at Toronto, Ontario, this 30th day of June, 1970.

BY ORDER OF THE BOARD,

W. E. Rearden,  
Secretary.

## INFORMATION CIRCULAR

This circular is furnished in connection with the solicitation of proxies by management of Midcon Oil & Gas Limited (hereinafter sometimes called the "Company") for use at the annual general meeting of shareholders of the Company to be held on Thursday, the 30th day of July, 1970, at the Green Room, Lord Simcoe Hotel, King Street West, at University Avenue, Toronto, Ontario, Canada, for the purposes set forth in the foregoing notice of meeting.

## RIGHT OF REVOCATION

A shareholder executing the enclosed proxy has the power to revoke it at any time before it is exercised.

## PERSONS MAKING SOLICITATION AND METHOD THEREOF

The enclosed proxy is solicited by the management of the Company and the cost of solicitation will be borne by the Company. It is expected that the solicitation will be primarily by mail. Proxies may also be solicited personally by regular employees of the Company at nominal cost.

## VOTING SHARES AND PRINCIPAL HOLDERS THEREOF

The directors of the Company have resolved that the share transfer register shall be closed after July 15, 1970, and no transfer of shares shall be made until after July 30, 1970. Accordingly, only shareholders of record at the close of business on July 15, 1970, will be entitled to vote at the annual meeting. Each share of the Company is entitled to one vote. The Company has only one class of shares. At June 30, 1970, the Company had outstanding 4,300,000 shares without par value.

To the knowledge of the directors or senior officers of the Company, the following was at June 30, 1970, the only beneficial owner directly or indirectly of equity shares of the Company which carry more than 10% of the voting rights attached to all equity shares of the Company:

<i>Name of Shareholder</i>	<i>Approximate number of shares</i>	<i>Percentage of out- standing equity shares represented</i>
Yellowknife Bear Mines Limited	1,338,240	31.12%

## ELECTION OF DIRECTORS

There are presently four (4) directors of the Company. The shareholders will be asked at the annual general meeting to elect five (5) directors. The following are the names of the five persons for whom it is intended that votes will be cast for their election as directors pursuant to the proxy which is hereby solicited: Robert G. Price, J. F. Paxton, J. Douglas Streit, William E. Rearden, and Joseph D. Liard.

The term of office for each director is from the date of the meeting at which he is elected until the annual general meeting next following or until his successor is elected or appointed. In the event that prior to the annual general meeting any vacancies occur in the slate of nominees submitted herewith, it is intended that discretionary authority shall be granted to vote the proxy for the election of any other person or persons as directors. The management is not presently aware that any of such nominees would be unwilling to serve as a director if elected.

J. Douglas Streit is the President, J. F. Paxton is Vice-President, and W. E. Rearden is the Secretary of the Company at present.



## INFORMATION CONCERNING NOMINEES AS DIRECTORS

<u>Name and Principal Occupation</u>	<u>Period(s) served as a Director</u>	<u>Shares beneficially owned directly or indirectly as of June 30th, 1970</u>
JAMES F. PAXTON, Mining Executive	Since August, 1956	501
J. DOUGLAS STREIT, Member of Toronto Stock Exchange and Geologist	Since July, 1957	125,853
WILLIAM E. REARDEN, Secretary	Since July, 1967	1,000
ROBERT G. PRICE, Petroleum Engineer	Since July, 1968	10
JOSEPH D. LIARD, Mining Executive		10

All nominees have held the principal occupations indicated for more than the last five years.

## REMUNERATION OF MANAGEMENT

During the fiscal year ended March 31, 1970, the aggregate direct remuneration paid by the Company and its subsidiary whose financial statements are consolidated with those of the Company, to directors and senior officers was \$13,300. The Company paid \$5,700 during such fiscal year by way of head office rental and secretarial fees to a private company whereof J. Douglas Streit is an officer, director and shareholder.

## APPOINTMENT OF AUDITORS

It is intended to vote the proxy to re-appoint the firm of McCormack, Parker and Hester, Chartered Accountants, of Toronto, the present auditors, as the auditors of the Company. They were first appointed auditors of the Company on July 27, 1966.

## PARTICULARS OF MATTERS TO BE ACTED UPON AND DISCRETIONARY AUTHORITY

Management is not aware that any matters will be submitted to the forthcoming annual general meeting of shareholders other than the receipt and consideration of the aforesaid consolidated financial statements, the election of directors and the appointment of auditors, all as referred to in the foregoing notice of meeting. If any other matters not now known to management shall properly come before the meeting, including a vacancy or vacancies caused by one or more of the nominees for directors becoming unavailable for election, the accompanying proxy will be voted on such matters in accordance with the best judgment of the person or persons voting the proxy, and discretionary authority necessary in such event is conferred by any person giving the proxy to management.

### **MANNER OF VOTING PROXIES**

The shares represented by proxies received by the management will be voted, and will be voted in accordance with the statements made above. It is intended that the accompanying instrument of proxy, if signed, dated and returned to the Company prior to the meeting and completed in the names of the persons therein named, will be voted in the election of the board of directors and in favour of the appointment of auditors aforesaid, all as set forth above.

THE PERSONS NAMED IN THE ACCOMPANYING INSTRUMENT OF PROXY ARE OFFICERS OF THE COMPANY. A SHAREHOLDER HAS THE RIGHT TO APPOINT ANY PERSON OTHER THAN THOSE NAMED TO REPRESENT HIM AT THE MEETING AND IF USING THE ACCOMPANYING INSTRUMENT, SHOULD STRIKE OUT THE PRINTED NAMES AND INSERT THE NAME OF HIS NOMINEE IN THE SPACE PROVIDED THEREFOR. A SHAREHOLDER MAY SUBMIT ANY OTHER APPROPRIATE INSTRUMENT OF PROXY.

DATED as of this 30th day of June, 1970.



File

*To the Shareholders*

Gross Oil and Gas Revenue rose slightly in the six months ending September 30, 1970, over a like period of 1969. Our principal customers of gas in the Medicine Hat area are the City of Medicine Hat, and the Northwest Nitro-Chemical Ltd. fertilizer plant. The Northwest Nitro plant, due to the depressed fertilizer market, continued to use the minimum amount of gas under their minimum take or pay Contract.

The Seismic Survey on Midcon's Petroleum Permits in the Smith Area of Great Bear Lake were not completed before freeze-up. The seismic work will be continued as soon as ice conditions permit in the Spring of 1971.

Midcon Arctic Island permits were farmed out to King Resources as reported in the 1969 Annual Report. Midcon has recently agreed to the assignment of these farm-out Agreements from King Resources to the Sun Oil Co.

The Panarctic gas well on King Christian Island which is currently on fire and blowing out of control is approximately 35 miles South West of some of Midcon's permits. This gas find by Panarctic, if proven as big as is indicated, should lead to increased drilling activity in the Arctic Islands during the coming year.

J. DOUGLAS STREIT  
President

MIDCON  
OIL & GAS  
LIMITED

Interim Report  
SEPTEMBER 30, 1970



# MIDCON OIL & GAS LIMITED

Six Months Ended  
September 30  
1970                      1969

## CONSOLIDATED STATEMENT OF INCOME (UNAUDITED)

### INCOME

Gross Oil and Gas Revenue .. .. .	\$ 77,127.96	\$ 73,649.23
Interest and Dividends .. .. .	24,146.14	21,364.83
Profit on Sale of Fixed Assets .. .. .		1,318.05
	<u>\$101,274.10</u>	<u>\$ 96,332.11</u>
Producing, Processing and Transportation Costs .. .. .	\$ 49,720.17	\$ 56,785.09
Exploration Expenses .. .. .		149.45
General and Administrative Expenses .. .. .	23,412.29	21,093.28
Depreciation, Depletion and Amortization .. .. .	14,406.92	41,521.97
Advances to Wholly-owned Subsidiaries Written off .. .. .		70.00
Income Applicable to Minority Interest .. .. .	4,146.94	2,528.85
	<u>\$ 91,686.32</u>	<u>\$122,148.64</u>
Net Income (Loss) .. .. .	<u>\$ 9,587.78</u>	<u>\$ (25,816.53)</u>

NOTE—No provision for income taxes is required as the Company has available an excess of drilling and exploration expenditures.

Six Months Ended  
September 30  
1970                      1969

## CONSOLIDATED STATEMENT OF SOURCE AND APPLICATION OF FUNDS (UNAUDITED)

### SOURCE OF FUNDS

Net Income (Loss) .. .. .	\$ 9,587.78	\$ (25,816.53)
Depreciation, Depletion and Amortization .. .. .	14,406.92	41,521.97
	<u>\$ 23,994.70</u>	<u>\$ 15,705.44</u>
Profit of Subsidiary Applicable to Minority Interest .. .. .	4,146.94	2,528.85
	<u>\$ 28,141.64</u>	<u>\$ 18,234.29</u>

### APPLICATION OF FUNDS

Purchase of Interests in Petroleum and Natural Gas Leases and Rights .. .. .		\$ 2,250.00
Well Development and Equipment Expenditures .. .. .	\$ 30,942.84	14,201.89
Purchase of other capital assets .. .. .		4,618.05
Deposits re Performance of Work .. .. .		18,807.20
Expendable Advances .. .. .	2,500.00	2,500.00
	<u>\$ 33,442.84</u>	<u>\$ 42,377.14</u>
Decrease in Working Capital .. .. .	\$ 5,301.20	\$ 24,142.85
Working capital beginning of year .. .. .	273,020.41	258,672.04
<u>WORKING CAPITAL AT SEPTEMBER 30</u> .. .. .	<u>\$267,719.21</u>	<u>\$234,529.19</u>